

First National Bank of Livingston Personalizes Banking by Combining Credit Scoring with Consumer Loan Automation Software

CHALLENGE

For more than a century, privately held First National Bank of Livingston has prided itself on a "family atmosphere," strong community ties and dedication to personalized service. But in October of 2003, the bank's consumer loan department gave new meaning to the term "personal" banking, by combining previously acquired credit scoring experience gleaned from using Fair Isaac tools with Cypress Software Systems' flagship application, Mark IV.

Mark IV is a Windows-based tool that provides lenders with a user-friendly application data entry point, quick retrieval of credit reports, reconciliation of debt information, and deployment of the bank's loan policies. During the loan application process, Mark IV automatically queries the major credit repositories and provides the user with a customized loan "scorecard" that incorporates the credit scoring capabilities.

SOLUTION

"We live in a small, but fast-growing community," said Dana Taylor, vice president and manager of loan operations for FNB Livingston. "And I really believe that our people and

our service are what set us apart from the competition. With the additional efficiencies we've gained from using Mark IV, our personal bankers are providing quicker service to our loan customers."

According to Taylor, FNB Livingston has four loan officers and about 20 additional people including their personal bankers and credit department that use Mark IV.

Taylor said that FNB Livingston began using a competitors' integrated credit scoring and application software package in 1999 and has had great success in reducing past dues and charge-offs. But that solution was "cumbersome and inflexible," says Taylor. "There were very few updates available and you really had to 'work' the product to make the system work for you."

Despite those limitations, Taylor was initially reluctant to make a change, so her team took a methodical approach to the review process once the bank did opt for a new system. "I was probably Cypress' toughest sell," she admits with a laugh. "But once we compared Mark IV to other products on the market, it far outweighed the others in

terms of flexibility, user-friendliness and ease of training, as well as pricing."

FNB also uses the optional Cypress New Account Setup module with Mark IV, which is designed to help eliminate awkward loan setup worksheets that must be manually completed and submitted to loan administration for document preparation. Taylor said the module has become what the bank used to call its Loan Authorization Memo.

CUSTOMER PROFILE

Name: First National Bank of Livingston

Location: Livingston, Texas

Founded: 1898

Branches: 3

Assets: \$210 million

Employees: 76

About: FNB Livingston was founded as Polk County Bank in 1898 and renamed Citizens National Bank in 1902 when a national bank charter was issued. The bank's present name was adopted in 1910. Today, FNB Livingston offers standard personal and business banking services such as checking and savings accounts, online banking and bill paying, certificates of deposits and IRAs, loans, overdraft protection and a business cash flow manager product, among others. It also offers full-service brokerage, 401K retirement

RESULTS

"We now take all of the required loan setup information and import it directly into our loan doc prep system. It has eliminated several manual steps in the process and there's no more transfer of paper."

Those features were particularly handy for a recent review from the OCC and a CRA exam. "These are professionals who are very used to and comfortable with a detailed paper trail. But I was able to pull reports directly from the system that were impressive and helpful to the examiners," said Taylor. "Our loan documentation with Mark IV is just superb."

Taylor said that FNB also took advantage of Cypress' standard offer to add up to six user-definable input fields to the module at no additional charge. "We now have more consumer loan information at our fingertips than we've ever had," said Taylor. The Mark IV application is used at all three FNB Livingston branches in a client-server configuration.

Typically, the bank processes an average of about 250 consumer loans per month, 40 of which are approved or declined automatically without human intervention through Mark IV's rules-based decision engine. Loan officers are involved when the customer's debt-to-income ratio or revolving credit burden appears to be out of line.

"Since we've begun using credit scoring we've seen a tremendous improvement in charge-offs - to the point

ABOUT CYPRESS

Headquartered in North Richland Hills, TX, Cypress Software Systems, LP is a leading developer of automated credit application decision support technologies. The company serves community and regional banks, finance companies and credit unions with loan application decision and tracking tools on par with those used by larger national lending institutions. The Company's flagship product, Mark IV, is used by clients nationwide to quickly and consistently process consumer loan applications. Cypress Mark IV offers a flexible, risk-based processing approach that includes tracking applications from point of entry to point of decision.

ABOUT MARK IV

Mark IV is a "behind-the-firewall" Windows-based consumer application processing solution that provides lenders with a user-friendly application data entry point, quick retrieval of credit reports, reconciliation of debt information, and deployment of the bank's loan policies. Cypress provides these tools with the goal of speeding a quality loan decision back to the applicant and assisting the financial institution in maximizing loan performance.

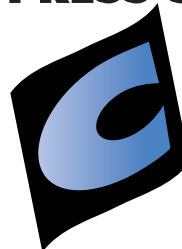
where they're nearly non-existent. And our past dues are also way down over the last five years."

Taylor said the current loan portfolio stands at about \$57 million and the bank has about \$210 million in assets under management.

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